

Message Text

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PAGE 01 MUSCAT 00580 250812Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05
SS-15 STR-07 CEA-01 PA-02 ABF-01 FSE-00 EUR-12
OES-07 DOE-15 SOE-02 /145 W
-----046856 250833Z /17

R 250751Z APR 78
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 4269
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA

UNCLAS MUSCAT 0580

E.O. 11652: N/A
TAGS: EFIN, MU
SUBJECT: OMANI RIAL TO REMAIN PEGGED TO DOLLAR

1. IN A RECENT PRESS INTERVIEW THE UNDERSECRETARY FOR FINANCIAL AFFAIRS, MUHAMMAD MUSA, STATED THAT OMAN HAS NO PLANS TO CUT THE LINK BETWEEN ITS CURRENCY AND THE U.S. DOLLAR. MUSA IS THE HIGHEST RANKING OFFICIAL IN THE DIRECTORATE OF FINANCE OTHER THAN THE SULTAN HIMSELF, WHO HAS RETAINED THAT PORTFOLIO. MUSA DESCRIBED THE REPERCUSSIONS OF THE DOLLAR'S DECLINE AS LIMITED IN ITS EFFECT ON THE OMANI MARKET. ACCORDING TO RECENTLY RELEASED INDICES, PRICES OF FOOD AND CONSTRUCTION MATERIALS HAVE REMAINED STEADY ALTHOUGH SOME ITEMS, SUCH AS EUROPEAN CARS, HAVE RISEN IN PRICE. MUSA BELIEVED THE LIMITED IMPACT OF THE DECLINE IN THE DOLLAR (AND HENCE THE RIAL) STEMMED FROM THE DIVERSITY OF SUPPLY SOURCES FOR THE OMANI MARKET. THE RIAL IS BACKED BY RESERVES OF GOLD AND HARD CURRENCY, OF WHICH LESS THAN 50 PERCENT CONSISTS OF U.S. DOLLARS.

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2. THE CENTRAL BANK HAS TAKEN A SIMILAR POSITION, THAT THE RIAL WILL REMAIN PEGGED TO THE DOLLAR. THE BANK FEELS THAT AS MOST OF THE COUNTRY'S REVENUE IS IN DOLLARS, FROM OIL EXPORTS, IT IS SENSIBLE IN THE LONG RUN TO REMAIN TIED TO IT. IN THE PAST THE BANK HAS OPPOSED LINKING THE RIAL TO A COMPOSITE CURRENCY SUCH AS THE SDR BECAUSE IT FELT THE BANK LACKED

THE STAFF NEEDED TO CONSTANTLY MONITOR FLUCTUATING VALUES OF
EARNINGS AND PAYMENTS CAUSED BY SUCH A LINKAGE.
SIZER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, RIAL, PRESS CONFERENCES, FOREIGN EXCHANGE RATES
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Copy: SINGLE
Draft Date: 25 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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TAGS: EFIN, MU, US, (MUSA, MUHAMMAD)
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